

ELECTRA GOLD LTD.

MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2010

The following discussion and analysis, prepared as of April 18, 2011, should be read together with the annual audited financial statements for the twelve month period ended December 31, 2010 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

Overview

The Company is in the resource exploration/development and production business. The Company has leased and acquired mineral rights to properties located near Port Hardy on Vancouver Island and near Powell River. These properties are industrial mineral properties containing cement feedstock materials and Kaolin as well as a strong potential for development of base and precious metal deposits optioned to Lumina Copper Corp. The Company has been continuously shipping product to a Seattle Cement Plant since October 2003.

The Company currently trades on the TSX Venture Exchange under the symbol ELT.

The following is a summary of significant events and transactions that occurred during 2010. Specifically:

- A total of 55,112 tonnes were shipped in six barge loads, (2009 – 89,942 tonnes in eleven barge loads).
- In August 2008, the Company entered into a purchase agreement to buy rights to obtain coal leases covering the Suquash coal mine near Fort Rupert. Details of the agreement are in the annual financial statements in Note 5b. A permit application was accepted in September 2008 for three coal leases totaling 1,038 hectares. In addition to coal, the Company has mineral permitting for the property and commenced mineral exploration on the same property in late November 2008 in search of fireclay, alumina, silica, bentonite and chalky geysereite.
- During the year ended December 31, 2010 Tony Claydon, Peter Arendt, and Michael Romanik resigned as directors of Electra Gold Ltd. Jackie Howich was appointed as a director during the 2010 year.
- A private placement of 2,400,000 units completed at a price of \$0.05 per share for total gross proceeds of \$120,000. Each unit consisted of one common share and one share purchase warrant exercisable at a price of \$0.10 for a period of 2 years. For full details see news release dated March 11, 2010 on www.sedar.com.
- On March 8th, 2010, the Company announced the option to acquire a 100% interest in a gold property called the Apex-Dot Property, located in the area of northwest Boston Bar, British Columbia. The property was acquired from D.G. Cardinal for cash payments of \$160,000 and 500,000 shares issued in installments over a five year period. Work expenditures for this project are \$30,000 upon signing (spent), \$130,000 by February 1, 2011, and \$140,000 by February 1, 2014. Full details can be found on www.sedar.com.
- On April 28, 2010, the Company was issued TSX Venture Exchange acceptance of an option agreement to acquire a 100% interest in a gold property called the Racetrack Property, located in the southeast corner of Ogden Township, approximately 10km south-southwest of Timmins, Ontario. In consideration the Company will pay \$80,000 cash and issued 800,000 shares to the vendors. Full details can be found at www.sedar.com. Work expenditures on the project are for the Company to incur \$100,000 by February 23, 2012, and an additional \$100,000 by February 23, 2013. On September 15, 2010 Electra signed a Joint Venture agreement with Claim Post Resources in Ontario which trades on the TSX Venture Exchange under the symbol “CPS”. Details of the agreement can be found on www.sedar.com.
- A demand letter was received from a former contractor of the Company on April 28, 2010 in the amount of \$525,913.15 which the Company is vigorously disputing. The Company is of the opinion that the claim is false and without merit due to a breach of contract and non performance of the contractor.

ELECTRA GOLD LTD.

MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2010 (Continued)

Results of Operations

The Company has experienced 26 consecutive quarters of commercial production. The volume of chalky geyselite shipped in 2010 was 55,112 (2009 – 89,942) tonnes. In 2010, six shipments were made, whereas in 2009 eleven shipments were made.

Cost of sales in 2010 \$1,046,981 (2009 - \$1,987,840) are lower than the comparable period of 2009 due to an decrease in production of material because of the reduced shipments to Ash Grove and Lafarge.

Operational Events in 2010:

- a) The Company signed a new contract with D&B Excavating Ltd. for a term of three years to perform the drilling, blasting, etc. at the PEM 100 Quarry.

Selected Annual Financial Information

	<u>YEAR ENDED DECEMBER 31,</u>		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue	\$1,015,428	\$1,898,942	\$1,683,009
Net Income/(Loss)	(584,159)	(1,642,298)	(703,772)
Basic and Diluted Income/(Loss) per share	(0.01)	(0.04)	(0.02)
Total Assets	1,156,043	1,304,369	1,911,284
Total Long Term Liabilities	463,966	429,526	372,938
Cash Dividends declared per share	-	-	-

The loss per share for the year ended December 31, 2010 was \$0.01, the previous year ended December 31, 2009 was a loss of \$0.04 per share. The decrease in the net loss for the 2010 year is due to the following:

- Write off of \$1,159,798 in 2009 of mineral properties compared to \$380,264 in 2010;
- Write off of \$129,536 in equipment in 2009 compared to Nil in 2010; and
- Rescheduling of barge loads from the 2009 year being pushed into the 2010 year.

Liquidity & Solvency

The Company has financed its operations to date primarily through the issuance of common shares, exercise of stock options and the sale of chalky geyselite to cement companies. The Company continues to seek capital through various means including the issuance of equity and/or debt.

On December 14, 2010, the Company issued 5,880,000 $\frac{3}{4}$ flow through share capital units at a price of \$0.05 per unit, pursuant to a non brokered private placement, for total proceeds of \$294,000. Each unit consists of one share ($\frac{3}{4}$ flow through and $\frac{1}{4}$ non flow through) and one share purchase warrant. The warrants are exercisable for 2 years from the date of grant at \$0.10 for the first year and \$0.12 for the second year. Finder's fees in connection with this financing were \$27,500 and 550,000 broker warrants exercisable at \$0.10 for a period of one year.

ELECTRA GOLD LTD.

MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2010 (Continued)

Liquidity & Solvency (continued)

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to deliver a satisfactory product, raise adequate financing and to lower production costs to realize overall corporate profitability in the future coupled with lower corporate expenses.

	December 31, 2010	December 31, 2009
Working capital (deficiency)	(328,899)	(385,278)
Deficit	16,714,917	16,130,758

As at December 31, 2010 the Company held \$218,016 (2009 - \$ 231,906) in cash assets and had a net loss for the year of \$786,987 (2009 - \$1,642,298).

Net cash used for investing activities for the year ended December 31, 2010 was \$318,324 compared to net cash used by investing activities of \$365,087 during the year ended December 31, 2009. The increase is primarily due to the increase in exploration and development of mineral properties.

Financing activities provided cash of \$374,500 during the year ended December 31, 2010 compared to \$579,500 for the year ended December 31, 2009. The proceeds from share issuances were up during the year; the repayments to related parties decreased significantly due to the reduced cash flows of the company operations.

Summary of Quarterly Results

	YEARS ENDED DECEMBER 31,							
	2010				2009			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ -	\$ 634,378	\$ 134,855	\$ 246,195	\$ 501,220	\$ 727,045	\$ 241,931	\$ 428,746
Net Income/(Loss)	\$(556,716)	\$ 342,747	\$(202,666)	\$(167,524)	\$(1,302,913)	\$(66,861)	\$(224,423)	\$(48,101)
Basic and Diluted Income/(Loss) per share	\$ (0.01)	\$ -	\$ -	\$ -	\$ (0.04)	\$ -	\$ -	\$ -

The results above are consistent with the decreased shipments due to the economic slowdown of the US and Canadian cement markets. The fourth quarters of 2010 and 2009 had significant losses due to the write down of its mineral properties and equipment amounting to \$380,264 and \$1,159,798 respectively.

ELECTRA GOLD LTD.

MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2010 (Continued)

Capital Resources

The Company has sufficient funds to meet its operational expenses for 2011 and cover anticipated administrative expenses throughout the year. In light of a valuation of the PEM 100 quarry completed in January 2010, the Company decided to write-off the asset in the amount of \$1,159,798 due to the negligible value and drain on cash flow in 2009 and \$380,264 in 2010. It will continue the chalky geyserite production at its PEM100 Quarry site in Port Hardy with an effort to lower administrative and production expenses until a suitable arrangement can be found for the property. The Company is searching for alternative arrangements for the mineral property to enhance shareholder value and reduce operating expenses.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed as at December 31, 2010.

Related Party Transactions

- a) The Company paid or accrued consulting fees of \$20,000 (December 31, 2009 - \$Nil) to a director of the Company for managerial services.
- b) The Company paid or accrued consulting fees of \$60,725 (December 31, 2009 - \$52,237) to both a related company and/or company of an officer, the former CFO and Corporate Secretary of the Company.
- c) The Company accrued geological fees and expenses of \$99,400 (December 31, 2009 - \$224,868) to a company controlled by the Company's president that were included in exploration costs.
- d) The Company paid or accrued directors' fees performed by directors of \$5,500 (December 31, 2009 - \$12,000).
- e) Royalties totaling \$22,045 (December 31, 2009 - \$35,977) were paid or accrued to a company controlled by the President.
- f) Royalties totaling \$33,068 (December 31, 2009 - \$53,965) were paid or accrued to the spouse of a director.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Fourth Quarter

The fourth quarter of 2010 had revenues of \$Nil which is down from \$501,220 the same quarter in 2009 due to a delayed order from Ash Grove. Costs of sales for the fourth quarter were \$263,266 compared to same quarter ended in 2009 of \$498,105.

ELECTRA GOLD LTD.

MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2010 (Continued)

Fourth Quarter (continued)

Office and general expenses for the fourth quarter were \$101,251, compared to \$59,312 in the prior year of 2009. The difference is primarily due to the following:

- decreased amortization expense of \$10,131, due to write off of assets in 2009 year;
- increase in postage and delivery of \$1,039; and
- decrease in management salaries of \$2,037 and increase in consulting of \$10,969.

Consulting fees this quarter were \$57,125, in comparison to \$46,156 for the same three month period ended December 31, 2009. Listing and related fees were \$3,421 compared to \$5,477 in the 2009 quarter.

Proposed Transactions

The Company may be required to raise further capital in order to meet all financial obligations for future periods. The Company may raise the required capital through private placement offerings of its securities.

Critical Accounting Estimates

Management regularly assesses the mineral properties for impairment. As at December 31, 2010, an impairment provision of \$380,264 (2009 - \$1,159,798) was entered for the various mineral properties.

Financial Instruments

Under Section 3251, Equity, Section 3855, Financial Instruments – Recognition and Measurement and Sections 3862 & 3863, Financial Instruments – Disclosure and Presentation, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial assets are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet or an other than temporary impairment is identified. Loans and receivables, held to maturity investments and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to financial instruments will be expensed in the period incurred.

The Company has designated its cash as held-for-trading, which are measured at fair value. Amounts receivable and reclamation deposits are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities, loans payable, amounts due to related parties, royalties payable and asset retirement obligation are classified as other financial liabilities, which is measured at amortized cost.

ELECTRA GOLD LTD.

MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2010 (Continued)

Share Data

As at April 18, 2011

Authorized share capital: Unlimited common shares without par value and unlimited number of class A preference shares without par value;

No options were outstanding December 31, 2010, and 12,398,500 warrants are outstanding at an average price of \$0.10 per share.

Shares issued and outstanding as at April 18, 2011: common shares 87,602,273;

As at April 18, 2011 the options outstanding are Nil. Warrants outstanding are 23,423,499 as at April 18, 2011 with an average exercise price of \$0.10.

Subsequent Events

- On January 19, 2011, the Company was issued TSX Venture Exchange acceptance of a agreement whereby the Company acquired nine claims totaling approximately 4,500 hectares of ground near Creston, British Columbia. The Company paid \$5,000 in cash and issued 2,000,000 shares for the property.
- On January 19, 2011, the Company was issued TSX Venture Exchange acceptance of a agreement whereby the Company acquired ten claims totaling approximately 5,152 hectares of ground near Creston, British Columbia. The Company paid \$4,000 in cash and issued 1,500,000 shares for the property.
- On January 21, 2011, the Company was issued TSX Venture Exchange acceptance for a non brokered private placement which was announced on December 17, 2010. The placement consisted of 1,900,000 units issued at a price of \$0.05 per share for total gross proceeds of \$95,000. Each unit consists of one common share and one share purchase warrant enabling the holder to purchase one additional common share at a price of \$0.10 per share for a period of 24 months.
- On March 2, 2011, the Company was issued TSX Venture Exchange acceptance for a non brokered private placement which was announced on February 14, 2011. The placement consisted of 8,333,333 units issued at a price of \$0.06 per share for total gross proceeds of \$500,000. Each unit consists of one common share and one share purchase warrant enabling the holder to purchase one additional common share at a price of \$0.10 per share for a period of 24 months. Finder's fees in the transaction amounted to \$23,750 cash and 791,666 warrants exercisable for a period of 24 months at \$0.10.
- During fiscal 2010 a former contractor of the Company issued a Notice of Civil Claim in the BC Supreme Court. The Company has retained counsel to defend against the claim and has filed a Counterclaim for damages in respect of the contractor's breach of contract and negligence in performance of contract work. The Company is of the opinion that a significant portion of the contractor's claim is without merit as not having been made in accordance with the contract which the contractor elected to abandon. The Company has proposed a settlement of \$84,000 with respect to the work performed, this amount is accrued at December 31, 2010. Any adjustment necessary to reflect the final settlement will be accounted for when known.

ELECTRA GOLD LTD

MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2010 (Continued)

Outlook

The Company's continuing focus will be on sustained production of chalky geyselite at the PEM100 Quarry in Port Hardy. The possible development of a docking port located on the west side of the island will contribute to the reduction of hauling cost for the product. The Company is also working with its major customer in pricing of the chalky geyselite to facilitate the sharing of administrative costs. Based on results of current production and new product development, the Company remains confident that production will be met for all outstanding orders.

Corporate Governance

The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders.

The current Board of Directors is comprised of five individuals, three of whom is neither an officer nor employee of the Company and is unrelated and independent from Management. The audit committee is comprised of two directors, of whom both are independent from management and one officer who is not independent.

The audit committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and audited financial statements prior to their submission to the Board of Directors for approval. The audit committee meets with management quarterly to review the financial statements including the MD&A and to discuss other financial, operating and internal control matters.

Controls and Procedures

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings, or other reports files or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

ELECTRA GOLD LTD

MANAGEMENT DISCUSSION AND ANALYSIS TWELVE MONTH PERIOD ENDED DECEMBER 31, 2010 (Continued)

International Financial Reporting Standards

In February 2008, the CICA announced that publicly accountable companies will be required to transition from Canadian GAAP to IFRS for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. The Company has commenced a preliminary review of the Canadian equivalents to IFRS and at this stage of the transition does not expect any material changes on the financial statements. The Company has adopted a conversion plan as at December 31, 2010. Management recognizes that the changeover to IFRS has complex implications and has considered the differences between Canadian GAAP and IFRS and to date has identified that there are likely no material differences to the line items of the Company balance sheet and income statement. The Company is working closely with their auditors who are extremely capable with advise and assistance with identifying treatment differences in regard to the accounting with IFRS and Canadian GAAP.

Key areas where changes in accounting policies are required are as follows:

Presentation of Financial Statements – IAS 1

IAS 1 requires a separate statement of retained earnings. It presents the option of presenting assets and liabilities in order of decreasing liquidity rather than current and noncurrent classifications. It allows for expense classification by nature or function, depending on which is more relevant. Under IAS 1 the direct method is preferred for the disclosure of cash flow from operating activities. IAS 1 requires more financial statement disclosures regarding the basis for measurements and judgments than current Canadian GAAP. Due to this, the presentation of the financial statements under IFRS are expected to be different than current Canadian GAAP.

Caution Regarding Forward-looking Information

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company available for view on SEDAR at www.sedar.com.